



OHIO VALLEY GAS CORPORATION

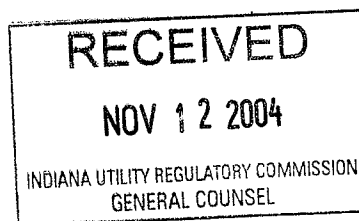
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November 10, 2004

VIA FEDERAL EXPRESS – STANDARD OVERNIGHT DELIVERY

Ms. Kristina Kern Wheeler
Office of the General Counsel
Indiana Utility Regulatory Commission
302 West Washington Street, Room E306
Indianapolis, IN 46204-2284



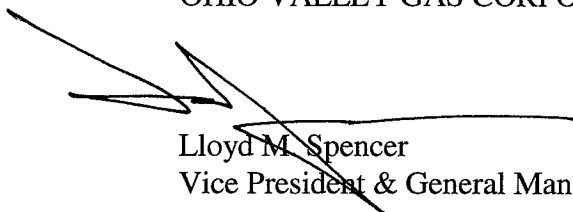
Dear Ms. Wheeler:

Enclosed are an original (small "o" in upper left hand corner) and thirteen copies of our Comments in NOPR No. RM 04-02 – Customer Service Rights and Responsibilities.

An electronic version has also been e-mailed to your address at the IURC.

Sincerely,

OHIO VALLEY GAS CORPORATION



Lloyd M. Spencer
Vice President & General Manager

LMS:s

Attachments

CC: (W/Attachments)
David J. Beynon/R. William Darnell
Larry J. Wallace
Ed Simcox

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

NOTICE OF PROPOSED RULEMAKING)
REGARDING ADDITION OF 170 IAC 5-1.2)
GAS CUSTOMER SERVICE RIGHTS) CAUSE NO. RM 04-02
AND RESPONSIBILITIES)

To: Ms. Kristina Kern Wheeler
Office of the General Counsel
Indiana Utility Regulatory Commission
302 West Washington Street, Room E306
Indianapolis, IN 46204-2284

COMMENTS OF
OHIO VALLEY GAS CORPORATION
AND OHIO VALLEY GAS, INC.

NOW COMES Ohio Valley Gas Corporation ("OVGC") and Ohio Valley Gas, Inc. ("OVGI") (collectively referred to as ("OVG")) in response to the Commission's July 21, 2004 Notice of Proposed Rulemaking ("NOPR") No. RM 04-02 (LSA Document #04-144) and submits the following comments. OVG is also appreciative of the opportunity to comment on the NOPR No. RM 04-02.

I. **OVG'S PROPOSALS.**

OVG offers that consideration should be given to exempting natural gas utilities with less than 50,000 customers from the provisions of RM 04-02 as of December 31, 2003. The proposed Rulemaking imposes numerous changes to the existing rules that will cause undue hardship on the smaller utilities and little or no benefit will be derived for their customers. OVG does not presently utilize a credit scoring system in determining whether a prospective customer is creditworthy. The costs related to the implementation of such a system and subsequent operation of such a system appear to be a financial burden on both the utilities and the customer alike. OVG does not have a lot of flexibility in its operations both in manpower and resources to maintain systems capable of allowing OVG to comply readily with many of the proposed elements of the Rulemaking. The present system that was placed into effect in 1977 has served OVG well and will continue to serve OVG in its endeavors to provide service to its prospective and existing customers. OVG operates within 58 communities in various parts of eastern, southern and western Indiana. OVG maintains 6 walk-in offices within the 16 counties where it operates within those small town atmospheres, OVG knows many of its customers personally and is able to work with them to

make deferred payment arrangements within the confines of the existing rules using the existing rules, OVG has experienced few complaints which were referred to the IURC regarding OVG's ability to rectify complaints locally. In most areas, OVG is the only utility that still has local access for its customers to personally visit in order to conduct business.

Absent any consideration for an exemption, OVG has analyzed the proposed Rule 170 IAC 5-1.2 – Gas Customer Service Rights and Responsibilities (“GCSRR”) and respectfully submits, based on the following discussion, that the proposed amendments/changes described herein should be incorporated into the rule.

A. **Rule 170 IAC 5.1.2-3 – Creditworthiness Conditions.**

Section 3(b) appears to require OVG to adopt a third party credit scoring system as a condition of requiring a prospective customer to make a security deposit coincident with establishment of service. The existing criteria are found at 170 IAC 5-1-15(a) and 170 IAC 5-1-15(b). The use of a third party credit scoring entity will increase OVG's costs related to managing its security deposits and will cause a hardship to OVG due to the size and of its multiple customer service collection centers.

1. **OVG's Amendment.**

Section 3(b) should be amended to include the additional conditions contained in the existing criteria found at 170 IAC 5-1-15(a) and 170 IAC 5-1-15(b).

2. **Rationale.**

This amendment allows small utilities more flexibility in collecting security deposits and also removes the costs associated with the employment of a third-party credit scoring agency. For OVG, the estimated annual cost, based on 6,000 connections per year, would be in excess of \$30,000, plus the OVG labor costs of its employees in processing the information. OVG may not have access readily available to it for broadband internet service. Thus utilizing a third-party credit scoring agency could require alternative methods in lieu of using the internet for such scoring system. Using a dial-up internet environment is not an effective method for OVG.

B. **Rule 170 IAC 5-1.2-4 – Deposits.**

Section 4(a) reduces the amount of security deposit presently allowed by fifty percent (50%). The proposed rule would allow a utility to collect a security deposit not to exceed one-sixth (1/6) of the estimated annual billings versus the present rule that allows a utility to collect a security deposit not to exceed one-third (1/3) of the estimated annual billings.

1. **OVG's Amendment.**

Section 4(a) should be amended to read ".....such deposit shall not exceed one-third (1/3) of the estimated annual billing for regulated utility service at the address at which service is rendered to the applicant or customer and shall be paid in full before establishment of service,"

2. **Rationale.**

Unlike other types of utilities (i.e. electric, telephone, water and sewer) regulated by the Indiana Utility Regulatory Commission, natural gas utilities do not bill on an equal or level twelve-month basis. In most instances, OVG's residential heating customers are billed the major portion of their total annual natural gas costs in the six winter months (mid-October thru mid-April). Thus the exposure of the natural gas utility is twice the exposure of the other types of utilities. While the not to exceed one-third (1/3) has been in effect since the present rules were adopted in 1977, a security deposit that is less than the exposure for the highest sixty days¹ is inadequate to fully protect the utility from the creation of a bad debt write-off. No provision is provided for the establishment of a bad debt expense rider or surcharge to recover the additional exposure that a natural gas utility will incur with the change. The estimated annual additional exposure to OVG may be in excess of \$350,000 based on calculations OVG has made. The cost of natural gas is approximately 75% of the total revenue dollar. That is not the case in an electric utility.

C. **Rule 170 IAC 5-1.2-4 – Deposits.**

Section 4(i) provides that the utility, should it not be required to refund the deposit, to automatically refund the accrued interest on the deposit to the customer by crediting the customer's account and stating this credit clearly on the customer's next regular bill.

1. **OVG's Amendment.**

Section 4(i) should be amended to read "...The utility shall annually credit accrued interest to the customer's account and state this credit clearly on the

¹ In actual operation, the utility's exposure to usage is approximately sixty (60) days from the time service commences until the time the service can be disconnected. The billing period covers a nominal thirty (30) days plus the seventeen (17) days non-penalty period from the billing date plus the fourteenth (14) days notice period with the disconnection notice.

customer's next regular bill, if requested by the customer, annually on the deposit anniversary date. Credit of the accrued interest shall occur on the anniversary date of the deposit."

2. **Rationale.**

Presently, accrued interest is not refunded or applied to the customer's account unless specifically requested by the customer. Then the credit is applied on the anniversary date of the security deposit. This allows the accrued interest to accumulate and thus increases the deposit coverage for a customer who is not keeping his payments prompt. The estimated annual billings have tended to increase over the past several years and this eliminates in some instances the need to request an additional deposit from a customer where their accrued interest is sufficient to cover the shortfall of the existing security deposit. The requirement of crediting accrued interest on security deposits to customer's account annually will increase OVG's exposure much in the same manner as changing the deposit from one-third (1/3) to one-sixth (1/6). OVG's additional cost has not been quantified at this time. The changing of the deposit amount and the proposed handling of accrued interest will only encourage defaults and liabilities to grow at a rate that the typical involved customer will never be able to recover with a practical and timely payment plan.

D. **Rule 170 IAC 5-1.2-6 – Payment Arrangements and Reconnection of Service.**

Section 6(f) provides for the reconnection of a former customer without full payment of existing or outstanding debt to the utility. The proposed rule requires reconnection upon payment of 20% of the amount past due plus 20% of the deposit and no reconnection fee upon entering a payment arrangement for the balance of the past due amounts. The proposed rule also provides for a minimum of three months or until March 15, whichever is later, to retire the past-due balance and the balance of the deposit.

1. **OVG's Amendment.**

Section 6(f) should be deleted in its entirety. Alternatively, Section 6(f) should only be applicable to those customers accepted to participate in the winter moratorium described in 170 IAC 5-1.2-7(b). Further, the rule should be limited to a one-time use in any running twelve (12) month period. Provision should also be made to allow for the utility to recover its tariff authorized reconnection charge, where applicable.

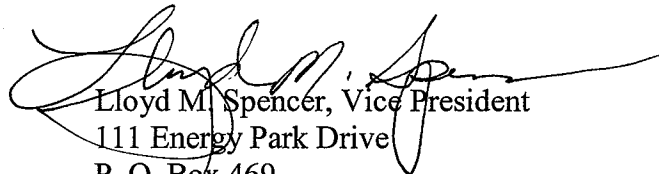
2. **Rationale.**

The rule as proposed will increase the utility's bad debt expense exponentially as presently written. Even limiting the rule to those customers accepted to participate in the winter moratorium and limiting the opportunity to use this rule one time per running twelve (12) month period does little to limit the overall exposure of the utility. Removing the payment of a reconnection fee also eliminates OVG's ability to recover the cost of the disconnection and reconnection of service at the same premises. The financial impact to OVG has not been determined at this point.

II. **CONCLUSION.**

Based on the foregoing, OVG respectfully requests that the Commission adopt the proposals described herein.

OHIO VALLEY GAS CORPORATION
OHIO VALLEY GAS, INC.



Lloyd M. Spencer, Vice President
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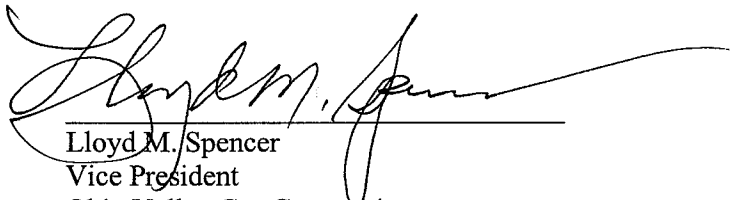
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CERTIFICATION OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document in IURC Rulemaking No. RM 04-02 upon the following by personal service or by depositing same in the U.S. Mail, first class, postage prepaid:

The Office of Utility Consumer Counselor
Room N501 Indiana Government Center North
100 North Senate Avenue
Indianapolis, IN 46204-2208

Dated this 10th day of November, 2004.



Lloyd M. Spencer
Vice President
Ohio Valley Gas Corporation
Ohio Valley Gas, Inc.